

Last week the international community finally agreed on a new Director-General for the World Trade Organization [WTO] – three months after the deadline had passed and almost a year after the WTO's triumphant launch in Marrakech.

This inauspicious beginning reflects more than a flawed process to select heads of multilateral institutions – though this is surely a subject worthy of concern. The inability of North America, Europe and Asia to reach agreement on this issue was in many ways symbolic of a more fundamental challenge facing the world economy: how to ensure that the increasingly powerful forces of regionalism – especially among the so-called triad economies – remain building blocks of the broader multilateral order.

For regardless of the great expectations invested in the new WTO, its success will largely depend on the role that the regional blocs choose to play in the months and years ahead.

This is not to rekindle that old and sterile debate about the virtues of multilateralism versus regionalism. If we have learned anything from events of recent years, it is that dynamic, outward-looking regionalism can be a powerful engine of worldwide trade and investment liberalization.

In a world where economic barriers are becoming so many self-inflicted wounds – a sure way of being isolated from increasingly global investment and production decisions – we are all facing irresistible pressure to keep pace with market liberalization. Countries enter into free trade relations to increase their competitive edge, only to find others joining the race for fear of losing out on investment, technology and market access. Bilateral and regional trade initiatives generate their own competitive dynamic – a race to liberalize further and faster – yet with the cumulative effect of advancing the frontiers of worldwide free trade.

Regionalism, far from being antithetical to multilateralism, may be the most direct path to the new global economic order. The Canada-U.S. Free Trade Agreement paved the way for NAFTA [the North American Free Trade Agreement], which in turn prompted the push for hemispheric free trade. Ripples have spread into Asia where APEC [the Asia-Pacific Economic Co-operation forum] has recently committed itself to transpacific free trade.

Meanwhile the European Union [EU] is proceeding with its own plans for expansion both northward and eastward – all the while observing anxiously the dynamism of Asia and the Americas. There are trade strategies at work here, but not in the sense meant by the so-called new trade theorists. This is not a zero-sum game; it is an ongoing dialectic generating dynamic growth.

For Canada, regionalism is not an end in itself; rather, we are encouraging the expansion of regional blocs so that we might eventually supersede them. This is why it is important to keep NAFTA's momentum alive. On one front, we are working hard to expand